

ALCOHOLIC BEVERAGE LICENSING AND REGULATION COMMITTEE

Study Assignment

A study of the issuance of licenses for alcoholic beverages and the fee structure for any new license and license renewal. The study shall include a review of the types and number of the licenses permitted and the option of providing additional local control and regulation of alcoholic beverage licenses.

Summary of Interim

During the first meeting, Paul Kinsman, Director of Property and Special Taxes with the Department of Revenue, explained the state's role in the licensing procedure for alcoholic beverages. Mr. Kinsman went on to explain the "three-tier system" which consists of manufacturers and distillers; wholesalers; and retailers. He said the three-tier system is an efficient way to regulate and tax alcoholic beverage sales.

Ms. Yvonne Taylor, Executive Director of the Municipal League, explained the municipalities' role in licensing retailers. The maximum number of on-sale licenses a city or county may issue is based on census figures. Consideration is given to the suitability of the applicant, type, and location of the business before a license is issued. Alcoholic beverage licenses are valid for one year with renewals subject to approval by the city. The license fees generally stay in the unit of government that issues the license.

Mr. Dick Howard, Executive Director of the Association of County Commissioners, said that counties issue on- and off-sale alcoholic beverage licenses outside the city limits. The process is the same as that followed by cities. He said that a significant portion of law enforcement and court-related expenses are caused by persons using alcohol. Counties no longer receive a portion of the taxes collected from the sale of alcoholic beverages.

At its second meeting the interim Alcoholic Beverage Licensing and Regulation Committee discussed the direct shipment laws for wineries and the "three-tier system." A chart was distributed that outlined the number of special on-sale licenses permitted in addition to the licenses that may be issued based on population. Jim Schade and Eldon Nygaard provided reports on their experiences in establishing farm wineries, the added-value benefits, and issues that may assist them in their businesses.

During the final meeting, the interim Alcoholic Beverage Licensing and Regulation Committee reviewed seven legislative proposals and approved two. The committee reviewed and approved draft legislation defining operating agreements that are used by municipalities and revising convention facility on-sale alcoholic beverage license requirements for second- and third-class municipalities.

The committee also considered draft legislation concerning reasons for approving or disapproving an alcoholic beverage license, changing when certain on-sale licensees may open, revising the procedure for determining renewal fees for certain on-sale licensees, and two other proposals for revising convention facility on-sale alcoholic beverage license requirements. The committee did not recommend these legislative proposals.

Listing of Legislation Adopted

1. An Act to define operating agreements for the purpose of regulating and licensing alcoholic beverages.

This legislation states that an entity that has entered into an operating agreement with a municipality shall be deemed a licensee for the purpose of regulating and licensing alcoholic beverages.

2. An Act to revise the convention facility on-sale alcoholic beverage license requirements.

This legislation changes the number of rooms and amount of seating required to obtain a convention facility on-sale alcoholic beverage license in a second- and third-class municipality.

Summary of Meeting Dates & Places and Listing of Committee Members.

The Alcoholic Beverage Licensing and Regulation Committee met on June 7, August 7, and September 18. All of the committee meetings were located in Pierre.

Committee members were: Senator Eric Bogue, Chair; Representative Michael Derby, Vice Chair; Senators Gene Abdallah, Kenneth Albers, Jerry Apa, Elmer Diedtrich, Dick Kelly, and Drue Vitter; and Representatives Kay Davis, Dale Hargens, Jean Hunhoff, Barry Jensen, Clarence Kooistra, Lou Sebert, and David Sigdestad.

Staff members were Fred Baatz, Senior Research Analyst, and Phyllis Petersen, Senior Legislative Secretary; and Rhonda Purkapile, Senior Legislative Secretary.